

AMENDED IN SENATE JUNE 17, 1998
AMENDED IN SENATE JUNE 15, 1998
AMENDED IN SENATE MAY 19, 1998
AMENDED IN ASSEMBLY APRIL 2, 1998

CALIFORNIA LEGISLATURE—1997–98 REGULAR SESSION

ASSEMBLY BILL

No. 2039

Introduced by Assembly Member Baugh
(Coauthors: Assembly Members Alby, Bowler, Campbell,
Cunneen, House, Margett, Oller, Richter, Thompson, and
Washington)
(Coauthors: Senators Haynes and Leslie)

February 18, 1998

An act to *add Section 1916.3 to the Civil Code, and to add*
Section ~~22065~~ 22061 to the Financial Code, relating to finance
lenders.

LEGISLATIVE COUNSEL'S DIGEST

AB 2039, as amended, Baugh. Finance lenders law.

Existing law, known as the California Finance Lenders Law, provides for the licensure of persons who make consumer loans or commercial loans, and governs the terms and conditions of those loans. Existing law exempts certain specified persons from that law.

This bill would exempt nonprofit church extension funds, as defined.

Existing law authorizes the Legislature to create new classes of lenders who are exempt from the interest rate restrictions and the prohibition against usury contained in Section 1 of Article XV of the California Constitution.

This bill would exempt nonprofit church extension funds, as defined, from those restrictions.

Vote: majority. Appropriation: no. Fiscal committee: no. State-mandated local program: no.

The people of the State of California do enact as follows:

1 SECTION 1. *Section 1916.3 is added to the Civil Code,*
2 *to read:*

3 *1916.3. A nonprofit church extension fund, as defined*
4 *in Section 22061 of the Financial Code, shall be exempt*
5 *from the usury provisions of the California Constitution.*
6 *This section creates and authorizes a class of persons*
7 *pursuant to Section 1 of Article XV of the California*
8 *Constitution.*

9 SEC. 2. Section ~~22065~~ 22061 is added to the Financial
10 Code, to read:

11 ~~22065.~~

12 22061. (a) This division does not apply to any
13 nonprofit church extension fund.

14 (b) For purposes of this section:

15 (1) “Nonprofit church extension fund” means a
16 nonprofit organization affiliated with a church, that is
17 formed for the purpose of making loans to that church’s
18 congregational organization or organizations for site
19 acquisitions, new facilities, or improvements to existing
20 facilities, purchased for the benefit of the church
21 congregational organization.

22 (2) What constitutes a “church” shall be determined
23 from the following criteria, none of which has controlling
24 weight: a distinct legal existence; a recognized creed and
25 form of worship; a definite and distinct ecclesiastical
26 government; a formal code of doctrine and discipline; a
27 distinct religious history; a membership not associated
28 with any other religion or denomination; a complete
29 organization of ordained ministers ministering to their



1 congregations; ordained ministers selected after
2 completing prescribed courses of study; a literature of its
3 own; established places of worship; regular
4 congregations; regular religious services; schools for the
5 religious instruction of youth; and schools for the
6 preparation of its ministers.

7 (3) “Church congregational organization” means a
8 group of individuals who gather for the purpose of
9 practicing the religion or manner of worship
10 promulgated by the church with which the organization
11 is affiliated.

12 (4) “Site acquisitions” means purchases of land
13 intended for use by a church congregational
14 organization.

15 (5) “New facilities” means purchases of buildings or
16 structures intended for use by a church congregational
17 organization.

18 (6) “Improvements” means purchases of materials
19 intended to increase the quality of existing religious sites
20 or facilities.

21 (c) For purposes of this section, a nonprofit church
22 extension fund shall establish that it is exempt from
23 federal taxation pursuant to Section 501 of Title 26 of the
24 United States Code.

25 (d) For purposes of this section, no individual may be
26 held responsible for the repayment of any loan made by
27 a nonprofit church extension fund.

28 ~~(e) A nonprofit church extension fund shall be exempt~~
29 ~~from the usury provisions of the state Constitution. This~~
30 ~~subdivision creates and authorizes a class of persons~~
31 ~~pursuant to Section 1 of Article XV of the California~~
32 ~~Constitution.~~

